

# IRB Infrastructure

BSE SENSEX

73,097

S&amp;P CNX

22,147



## Stock Info

Bloomberg	IRB IN
Equity Shares (m)	6039
M.Cap.(INRb)/(USDb)	338.2 / 4.1
52-Week Range (INR)	72 / 23
1, 6, 12 Rel. Per (%)	-17/66/72
12M Avg Val (INR m)	1106
Free float (%)	65.6

## Financials Snapshot (INR b)

Y/E March	2024E	2025E	2026E
Net Sales	73.8	81.8	92.9
EBITDA	34.0	38.7	44.7
Adj. PAT	6.8	9.9	13.2
EBITDA Margin (%)	46.1	47.3	48.1
Adj. EPS (INR)	1.1	1.6	2.2
EPS Gr. (%)	-6.0	45.6	33.7
BV/Sh. (INR)	22.9	24.2	26.0

## Ratios

Net D/E (x)	1.0	0.9	0.8
RoE (%)	5.0	6.9	8.7
RoCE (%)	7.6	8.2	9.1
Payout (%)	32.2	22.1	16.6

## Valuations

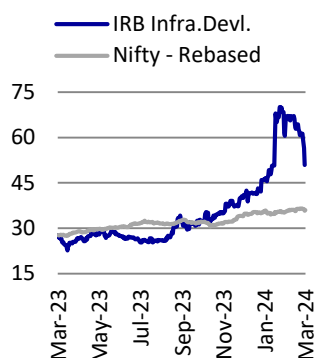
P/E (x)	50.0	34.3	25.7
P/BV (x)	2.4	2.3	2.2
EV/EBITDA (x)	13.9	12.0	10.3
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	16.7	15.4	16.0

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	34.4	34.4	34.2
DII	7.9	7.4	6.8
FII	47.2	47.3	48.6
Others	10.6	10.4	10.5

FII Includes depository receipts

## Stock's performance (one-year)



CMP: INR56

TP: INR60 (+7%)

Neutral

## Cintra acquires stake in IRB's private InVIT

- Cintra, a subsidiary of Ferrovial, has finalized agreements to acquire a 24% stake from GIC in IRB Infrastructure Trust (IRBIT) and a 24% stake in MMK Toll Road Pvt. Ltd (MMK), which serves as the investment manager of the Trust. IRBIT is a publicly listed SEBI-registered Infrastructure Investment Trust. IRB Infrastructure Developers Ltd (IRB) owns 51% of the units in the Trust, with the remaining 49% held by GIC Affiliates. As per Ferrovial's press release, Cintra will be acquiring a 24% stake in IRBIT at a total deal size of INR65.9b, including INR 8.6b of outstanding equity commitments for projects under development or under financial closure. The IRBIT portfolio consists of 15 road projects, covering 10,567 lane kms.
- IRB expects the collaboration between IRB, GIC, and Cintra to enhance project planning and selection processes. There would not be any fund infusion into the Private InVIT due to this transaction.
- **IRB, with a diverse variety of investors, is uniquely positioned to expand its asset base, and drive sustainable growth. The company will benefit from the growing EPC and O&M order book, which stood at INR 362b as of Dec'23. With a robust tender pipeline of projects to be awarded by NHA and a healthy order book, we expect IRB to register a ~12% revenue CAGR over FY24-26E with sustained margins. We reiterate our Neutral rating on the stock with a SoTP-based TP of INR60.**

## Cintra acquires stake into IRB Infrastructure Trust from GIC

- Cintra will be acquiring a 24% stake of IRBIT at a total deal size of INR 65.9b, including INR 8.6b of outstanding equity commitments for projects under development or under financial closure.
- Additionally, Cintra and a GIC affiliate have reached an agreement with Meerut Budaun Expressway Limited (MBEL), giving Cintra the option to exercise a put option over 4.7% of both the NCDs and equity shares of MBEL held by the GIC affiliate. This option can be exercised after two years from the commercial operations date.
- IRB will continue to hold a 51% shareholding in MBEL and IRBIT.

## Robust order book despite subdued awarding activity by NHA

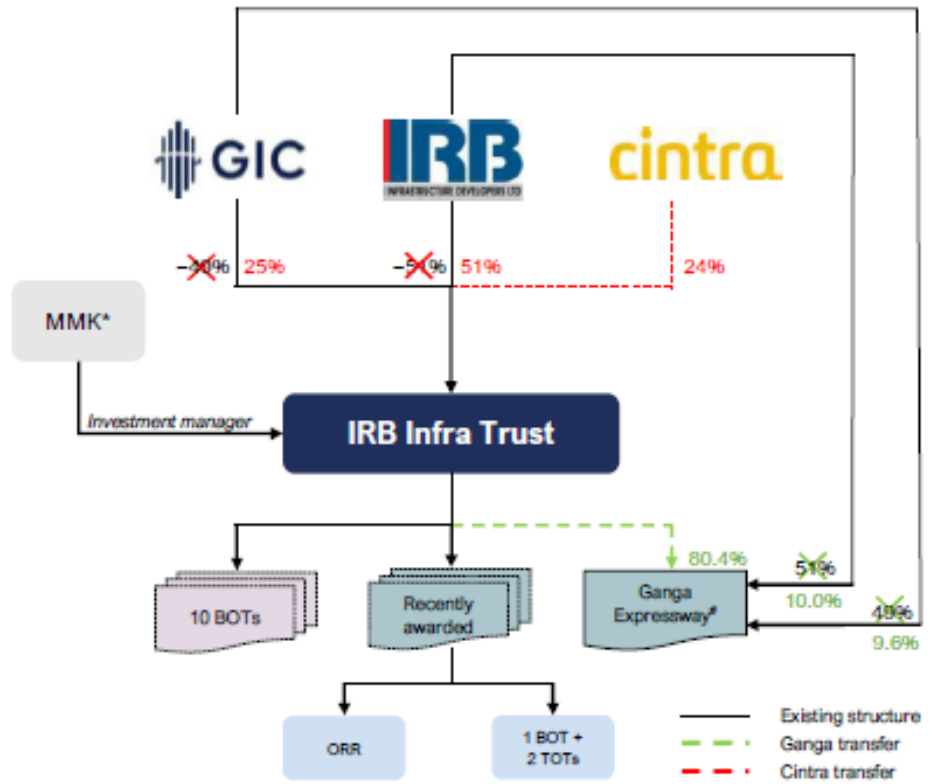
- Awarding by NHA has been muted in FY24 with only 2,200 kms of projects awarded until date (Apr'23-Mar'24). Despite this, IRB has secured orders worth INR 160b YTFY24. The tender pipeline is strong and IRB's priority would be BOT toll projects, followed by TOT projects, and then HAM projects.
- As of Dec'23, the order book stood at INR362b. In the order book, the EPC segment accounted for INR69b, providing robust revenue visibility for the construction segment for the next two-to-three years. The O&M order book is close to INR292b.

**Valuation and view**

- IRB's access to two InvIT platforms (IRB InvIT Fund and IRBIT) have supported capital unlocking in the past through asset monetization and the company is expected to benefit from the same in the future as well.
- Further, with a substantial NHAI pipeline of ~INR 2t BoTs and 46 ToTs projects (many still awaiting award), the collaboration between a domestic player (IRB), a financial investor (GIC), and a strategic investor (Cintra) will enhance project planning and selection. This synergy positions IRB uniquely to expand its already-largest asset base in the sector.
- IRB stands to benefit from the increasing EPC and O&M order book, which stands at INR 362b as of Dec'23, as the sole project manager to the IRBIT. We expect IRB to register a ~12% revenue CAGR over FY24-26E with sustained margins. We reiterate our Neutral rating on the stock with a SoTP-based TP of INR60.

Entry of a global strategic investor into India’s infrastructure landscape

Exhibit 1: IRBIT shareholding structure post the transaction



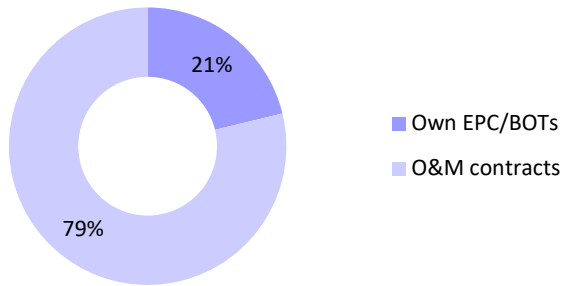
Sources: Company, MOFSL

The transaction - acquisition of a 24% stake in IRBIT by Cintra from GIC Affiliates

- IRB and GIC affiliates collectively hold 51% and 49% stakes in IRBIT and MMK, respectively. IRB and a GIC affiliate directly own 51% and 49%, respectively, of Meerut Budaun Expressway Ltd (MBEL).
- Cintra has entered into definitive agreements with GIC Affiliates to purchase a 24% stake in IRBIT and a 24% stake in MMK. Cintra’s acquisition of a 24% stake in IRBIT amounts to a total deal size of INR 65.9b. This figure includes INR 8.6b related to outstanding equity commitments for projects either under development or under financial closure.
- Additionally, Cintra and GIC have agreed to a call/put option to transfer Cintra's proportionate share of the residual stake (4.7%) currently held by a GIC affiliate in Ganga Expressway after two years, following the completion of the concession period.
- IRB will continue to maintain its role as the sponsor and project manager for the IRBIT. Additionally, it will retain ownership of 51% of the units in IRBIT and a ~51% of the equity share capital of the MMK. **Post the transaction, the shareholding structure of IRBIT will be as follows: IRB (51%), GIC (25%), and Cintra (24%).**

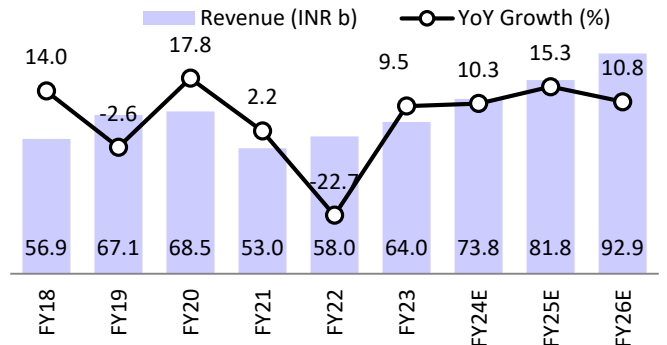
Financial story in charts

Exhibit 2: Order book breakup (3QFY24: INR362b)



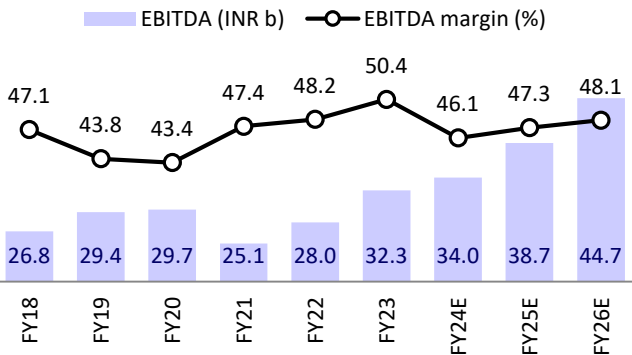
Source: MOFSL, Company

Exhibit 3: Revenue to see ~12% CAGR over FY24-26E



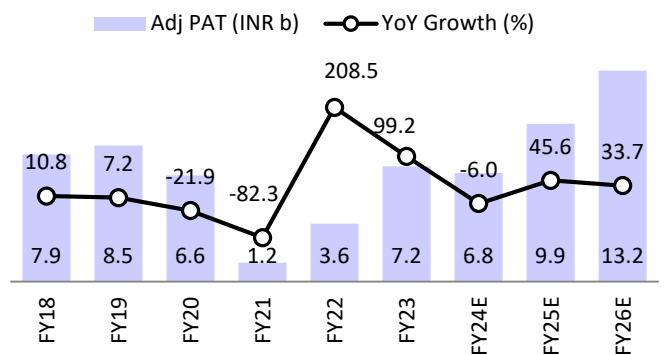
Source: MOFSL, Company

Exhibit 4: EBITDA and EBITDA margin trends



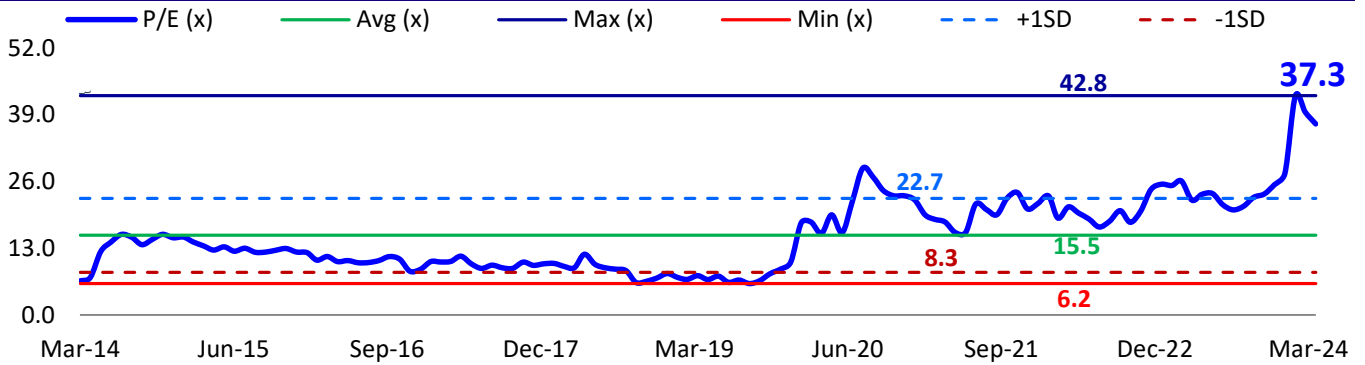
Source: MOFSL, Company

Exhibit 5: APAT to witness strong growth ahead



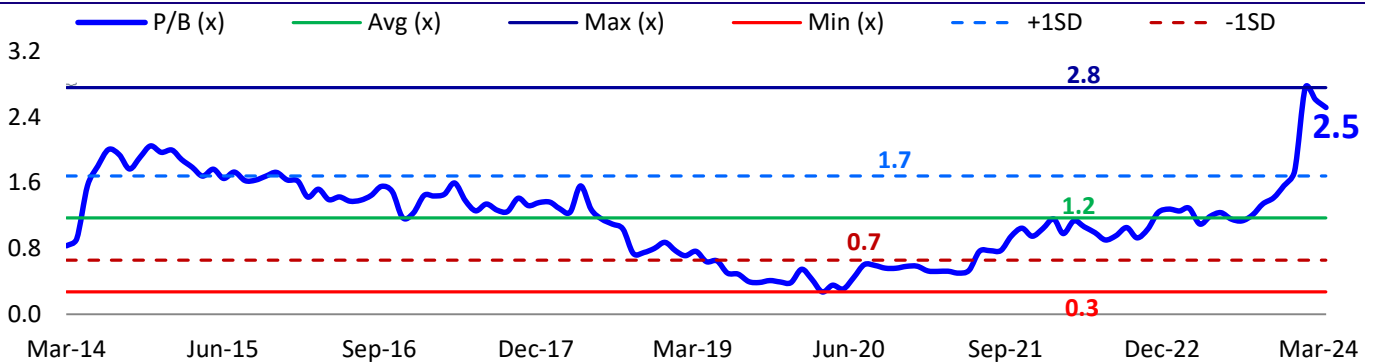
Source: MOFSL, Company

Exhibit 6: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 7: One-year forward P/B (x)



Source: Company, MOFSL

## Financials and valuations

Consolidated Income Statement							(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Total Income from Operations</b>	<b>68,522</b>	<b>52,986</b>	<b>58,037</b>	<b>64,016</b>	<b>73,789</b>	<b>81,773</b>	<b>92,943</b>
Change (%)	2.2	-22.7	9.5	10.3	15.3	10.8	13.7
<b>EBITDA</b>	<b>29,714</b>	<b>25,127</b>	<b>27,975</b>	<b>32,290</b>	<b>34,034</b>	<b>38,651</b>	<b>44,713</b>
Margin (%)	43.4	47.4	48.2	50.4	46.1	47.3	48.1
Depreciation	4,683	5,817	6,828	8,321	9,743	11,063	12,068
<b>EBIT</b>	<b>25,031</b>	<b>19,310</b>	<b>21,147</b>	<b>23,968</b>	<b>24,291</b>	<b>27,588</b>	<b>32,645</b>
Int. and Finance Charges	15,644	16,924	18,906	15,146	16,823	16,130	16,072
Other Income	1,950	1,889	5,517	3,017	4,666	4,670	4,094
<b>PBT bef. EO Exp.</b>	<b>11,337</b>	<b>4,274</b>	<b>7,758</b>	<b>11,839</b>	<b>12,134</b>	<b>16,128</b>	<b>20,667</b>
EO Items	574	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>11,911</b>	<b>4,274</b>	<b>7,758</b>	<b>11,839</b>	<b>12,134</b>	<b>16,128</b>	<b>20,667</b>
Total Tax	4,544	1,445	1,882	3,569	3,123	4,930	6,414
Tax Rate (%)	38.1	33.8	24.3	30.1	25.7	30.6	31.0
Minority Interest/Associate income	-158	-1,658	-2,262	-1,070	-2,247	-1,348	-1,079
<b>Reported PAT</b>	<b>7,209</b>	<b>1,172</b>	<b>3,614</b>	<b>7,200</b>	<b>6,764</b>	<b>9,850</b>	<b>13,174</b>
<b>Adjusted PAT</b>	<b>6,635</b>	<b>1,172</b>	<b>3,614</b>	<b>7,200</b>	<b>6,764</b>	<b>9,850</b>	<b>13,174</b>
Change (%)	-21.9	-82.3	208.5	99.2	-6.0	45.6	33.7
Margin (%)	9.7	2.2	6.2	11.2	9.2	12.0	14.2

Consolidated Balance Sheet							(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	3,515	3,515	6,039	6,039	6,039	6,039	6,039
Total Reserves	63,314	65,493	1,19,617	1,27,750	1,32,333	1,40,002	1,50,995
<b>Net Worth</b>	<b>66,829</b>	<b>69,008</b>	<b>1,25,656</b>	<b>1,33,789</b>	<b>1,38,372</b>	<b>1,46,041</b>	<b>1,57,034</b>
Minority Interest	0	0	0	0	0	0	0
Total Loans	75,709	1,66,640	1,66,853	1,67,397	1,69,910	1,72,343	1,74,082
Deferred Tax Liabilities	-570	-687	-435	637	637	637	637
<b>Capital Employed</b>	<b>1,41,968</b>	<b>2,34,962</b>	<b>2,92,074</b>	<b>3,01,823</b>	<b>3,08,919</b>	<b>3,19,022</b>	<b>3,31,753</b>
Gross Block	2,99,277	3,02,110	3,07,928	3,08,339	3,13,130	3,13,630	2,95,376
Less: Accum. Deprn.	22,572	28,389	35,217	43,538	53,623	64,685	57,999
<b>Net Fixed Assets</b>	<b>2,76,705</b>	<b>2,73,721</b>	<b>2,72,711</b>	<b>2,64,801</b>	<b>2,59,507</b>	<b>2,48,945</b>	<b>2,37,377</b>
Capital WIP	4,030	4,030	625	75	433	433	433
<b>Total Investments</b>	<b>41,459</b>	<b>47,989</b>	<b>49,042</b>	<b>51,409</b>	<b>53,295</b>	<b>58,447</b>	<b>63,868</b>
<b>Curr. Assets, Loans and Adv.</b>	<b>76,091</b>	<b>85,285</b>	<b>1,01,999</b>	<b>1,10,739</b>	<b>1,18,738</b>	<b>1,35,652</b>	<b>1,56,584</b>
Inventory	3,314	3,217	3,175	2,990	4,444	5,011	5,842
Account Receivables	4,408	5,879	15,934	16,352	12,042	13,577	15,829
Cash and Bank Balance	22,707	23,390	17,438	24,171	36,507	44,865	52,993
Loans and Advances and CA	45,663	52,799	65,451	67,226	65,744	72,199	81,921
<b>Curr. Liability and Prov.</b>	<b>2,56,317</b>	<b>1,76,064</b>	<b>1,32,303</b>	<b>1,25,202</b>	<b>1,23,055</b>	<b>1,24,455</b>	<b>1,26,510</b>
Other Current Liabilities	2,55,800	1,75,562	1,31,707	1,24,630	1,22,483	1,23,883	1,25,938
Provisions	517	502	596	572	572	572	572
<b>Net Current Assets</b>	<b>-1,80,226</b>	<b>-90,780</b>	<b>-30,305</b>	<b>-14,463</b>	<b>-4,317</b>	<b>11,197</b>	<b>30,074</b>
<b>Appl. of Funds</b>	<b>1,41,968</b>	<b>2,34,961</b>	<b>2,92,074</b>	<b>3,01,823</b>	<b>3,08,919</b>	<b>3,19,022</b>	<b>3,31,753</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>							
EPS	1.9	0.3	0.6	1.2	1.1	1.6	2.2
Cash EPS	3.2	2.0	1.7	2.6	2.7	3.5	4.2
BV/Share	19.0	19.6	20.8	22.2	22.9	24.2	26.0
DPS	0.5	0.0	0.0	0.0	0.3	0.3	0.3
Payout (%)	29.3	0.0	0.0	10.5	32.2	22.1	16.6
<b>Valuation (x)</b>							
P/E	29.7	168.0	93.6	47.0	50.0	34.3	25.7
Cash P/E	17.4	28.2	32.4	21.8	20.5	16.2	13.4
P/BV	2.9	2.9	2.7	2.5	2.4	2.3	2.2
EV/Sales	3.6	6.4	8.4	7.5	6.4	5.7	4.9
EV/EBITDA	8.4	13.5	17.4	14.9	13.9	12.0	10.3
Dividend Yield (%)	0.9	0.0	0.0	0.0	0.5	0.5	0.5
FCF per share	39.0	-19.3	-7.1	2.9	4.7	4.3	4.5
<b>Return Ratios (%)</b>							
RoE	10.2	1.7	3.7	5.5	5.0	6.9	8.7
RoCE	12.0	9.0	8.1	7.3	7.6	8.2	9.1
RoIC	13.5	11.0	8.3	7.4	8.1	8.8	10.5
<b>Leverage Ratio (x)</b>							
Interest Coverage Ratio	1.6	1.1	1.1	1.6	1.4	1.7	2.0
Net Debt/Equity	0.8	2.1	1.2	1.1	1.0	0.9	0.8

### Consolidated Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>(INR m)</b>							
<b>OP/(Loss) before Tax</b>	<b>11,337</b>	<b>4,274</b>	<b>7,758</b>	<b>10,770</b>	<b>12,134</b>	<b>16,128</b>	<b>20,667</b>
Depreciation	4,683	5,817	6,828	8,321	9,743	11,063	12,068
Interest and Finance Charges	15,644	16,924	18,906	13,109	16,823	16,130	16,072
Direct Taxes Paid	-4,544	-1,445	-1,882	-2,020	-3,123	-4,930	-6,414
(Inc.)/Dec. in WC	30,008	-90,047	-73,115	-12,999	2,190	-7,156	-10,750
<b>CF from Operations</b>	<b>57,128</b>	<b>-64,476</b>	<b>-41,505</b>	<b>17,180</b>	<b>37,768</b>	<b>31,236</b>	<b>31,642</b>
Others	-1,376	-1,889	-5,517	461	-4,666	-4,670	-4,094
<b>CF from Operations incl. EO</b>	<b>55,752</b>	<b>-66,365</b>	<b>-47,023</b>	<b>17,641</b>	<b>33,102</b>	<b>26,566</b>	<b>27,549</b>
(Inc.)/Dec. in FA	81,260	-1,550	4,277	99	-4,807	-500	-500
<b>Free Cash Flow</b>	<b>1,37,012</b>	<b>-67,915</b>	<b>-42,746</b>	<b>17,740</b>	<b>28,294</b>	<b>26,066</b>	<b>27,049</b>
(Pur.)/Sale of Investments	-35,005	-8,189	-3,315	-4,385	-4,133	-6,500	-6,500
Others	1,950	1,889	5,517	1,982	4,666	4,670	4,094
<b>CF from Investments</b>	<b>48,204</b>	<b>-7,849</b>	<b>6,479</b>	<b>-2,303</b>	<b>-4,274</b>	<b>-2,330</b>	<b>-2,906</b>
Issue of Shares	0	0	53,466	0	0	0	0
Inc./(Dec.) in Debt	-78,300	90,932	212	4,475	2,513	2,434	1,739
Interest Paid	-15,644	-16,924	-18,906	-12,279	-16,823	-16,130	-16,072
Dividend Paid	-2,116	0	0	-755	-2,181	-2,181	-2,181
Others	-793	890	-180	-46	0	0	0
<b>CF from Fin. Activity</b>	<b>-96,852</b>	<b>74,897</b>	<b>34,592</b>	<b>-8,605</b>	<b>-16,491</b>	<b>-15,878</b>	<b>-16,515</b>
<b>Inc./Dec. in Cash</b>	<b>7,104</b>	<b>683</b>	<b>-5,951</b>	<b>6,733</b>	<b>12,336</b>	<b>8,358</b>	<b>8,128</b>
Opening Balance	15,603	22,707	23,390	17,438	24,171	36,507	44,865
<b>Closing Balance</b>	<b>22,707</b>	<b>23,390</b>	<b>17,438</b>	<b>24,171</b>	<b>36,507</b>	<b>44,865</b>	<b>52,993</b>

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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